

Message Text

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CEA-01 CIAE-00 CIEP-02 COME-00 DODE-00 EB-07 FPC-01
H-02 INR-07 INT-05 L-03 NSAE-00 NSC-05 OMB-01 PM-04
USIA-15 OES-06 SP-02 SS-15 STR-04 TRSE-00 ACDA-10
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TO SECSTATE WASHDC 2414

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E. O. 11652: N/A

TAGS: EALR, ETRD, EFIN, EGEN, ENRG, NZ

SUBJECT: LATEST STATISTICS ON SURVEYED OVERSEAS ORDERS AND PAYMENTS

PROJECTIONS OF PRIVATE IMPORT PAYMENTS FOR THE YEAR
ENDING 30 APRIL 1977.

1. ACCORDING TO THE OCTOBER 1976 SURVEY OF ABOUT 40 PER CENT
OF IMPORTING FIRMS BY THE DEPARTMENT OF STATISTICS, PRIVATE
IMPORT ORDERS (OTHER THAN MINERAL FUELS) WERE
VALUED AT \$450 MILLION IN THE SIX MONTHS ENDED OCTOBER 1976.
(ALL FIGURES IN THIS REPORT ARE IN NZ DOLLARS. \$NZ1.00
EQUALLED APPROXIMATELY \$US1.00 DURING THE PERIOD OF REPORT.
RECENTLY \$NZ WAS DEVALUED 7 PER CENT AND NOW EQUALS APPROX.
92 US CENTS.) THIS WAS 34 PER CENT HIGHER THAN THE
CORRESPONDING 1975 PERIOD. FOR THE MONTH OF OCTOBER 1976 THE
VALUE OF SURVEYED ORDERS (OTHER THAN MINERAL FUELS BY FIRMS
WAS \$80 MILLION, 32.5 PER CENT HIGHER THAN THE SAME MONTH IN
1975. TOTAL PRIVATE IMPORT ORDERS PLACED BY ALL SURVEYED FIRMS
INCLUDING MINERAL FUEL DURING THE SIX MONTHS PERIOD REACHED
\$738 MILLION AND FOR OCTOBER ALONE WAS \$141 MILLION.

2. OVERSEAS ORDERS PLACED BY MINERAL FUEL IMPORTING
FIRMS FOR THE SIX MONTHS ENDED OCTOBER 1976 WERE
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VALUED AT \$289 MILLION, 51 PER CENT HIGHER THAN FOR

THE SIX MONTHS ENDED OCTOBER 1975. THE VALUE FOR OCTOBER 1976 WAS \$61 MILLION, VS \$33 MILLION FOR SEPTEMBER 1976. BECAUSE MONTHLY ORDERS PLACED OVERSEAS BY MINERAL FUEL FIRMS VARY CONSIDERABLY, MONTHLY MOVEMENTS SHOULD BE INTERPRETED WITH CAUTION.

3. THE TOTAL PAYMENTS MADE TO OVERSEAS FIRMS BY SURVEYED FIRMS FOR THE MONTH OF OCTOBER 1976 WAS \$85 MILLION (PROVISIONAL FIGURE) COMPARED WITH \$108 MILLION FOR OCTOBER 1975. TOTAL PAYMENTS FOR THE SIX MONTHS ENDED 30 OCTOBER 1976 WERE \$654 MILLION (PROVISIONAL) COMPARED TO \$556 MILLION FOR THE SAME PERIOD IN 1975.

4. TOTAL PAYMENT FOR PRIVATE IMPORTS FOR THE SIX MONTHS TO 30 OCTOBER 1976 WERE \$1,415 MILLION COMPARED WITH \$1,154 MILLION FOR THE SAME PERIOD OF 1975 (RESERVE BANK FIGURES).

5. ON THE BASIS OF THESE ORDERS AND PAYMENTS SURVEY, PAYMENTS FOR PRIVATE IMPORTS ARE PROJECTED TO REACH \$2,998 MILLION FOR THE 12 MONTHS ENDED APRIL 1977, AN INCREASE OF 22.5 PER CENT OVER ACTUAL PAYMENTS OF \$2,447 MILLION FOR THE 12 MONTHS ENDED APRIL 1976.

6. MONTHLY PRIVATE IMPORT PAYMENTS ARE CALCULATED TO AVERAGE \$268 MILLION FROM NOVEMBER 1976 TO JANUARY 1977 THEN \$260 MILLION FROM FEBRUARY TO APRIL 1977. THIS COMPARES WITH ACTUAL PAYMENTS OF \$220 MILLION AND \$211 MILLION FOR THE SAME RESPECTIVE MONTHLY PERIODS A YEAR EARLIER.

7. AS USUAL LATEST FIGURES SHOWING THE SEEMINGLY NEVER ENDING EDGING UPWARDS OF THE IMPORT ORDERS AND PAYMENTS HAS CREATED NEWS MEDIA COMMENT AND OPPOSITION CRITICISM AS EVIDENCE THAT THE NATIONAL (READ PRIME MINISTER MULDOON'S) ECONOMIC POLICIES HAVE FAILED.

8. THERE IS NO DOUBT THESE FIGURES ARE NOT GOOD NEWS TO MULDOON. THOUGH HE HAS MANAGED TO SWING THE CPI RATE OF INCREASE DOWN IN THE THIRD QUARTER, AND EXPRESSED UNCLASSIFIED

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OPTIMISM THAT IT WOULD GO EVEN LOWER IN THE FOURTH QUARTER, THE LEVEL OF IMPORT PAYMENTS AND ORDERS HAS NOT RESPONDED SUFFICIENTLY TO THE SEVERAL MEASURES TO REDUCE IMPORT DEMAND. (HOWEVER; IT SHOULD BE NOTED THAT RECENT FIGURES SHOW THE OVERALL ACTUAL VOLUME - AS OPPOSED TO VALUE - OF INPUTS HAS DROPPED BY ABOUT 20 PER CENT.

9. THE INCREASING VALUE OF IMPORTS HAS PROMPTED INFORMED

OBSERVERS TO SPECULATE THAT THE GOVERNMENT WILL FEEL INCREASING NEED TO TAKE FURTHER MEASURES TO REDUCE IMPORTS. THE RECENT UNWANTED (BY GNZ) DEVALUATION OF THE NZ DOLLAR OF 7 PER CEN AGAINST THE MAJOR WORLD CURRENCIES, THOUGH HAVING AN ADVERSE EFFECT ON THE CPI, WILL EVENTUALLY HAVE SOME MARGINAL BENEFICIAL EFFECT ON THE LEVEL OF IMPORTS. BUT WITH THE CONTINUED RISE IN PRICES OF IMPORTS, THE VALUE OF IMPORTS AND TOTAL IMPORT PAYMENTS CAN WELL MORE THAN OFF-SET THIS. FURTHERMORE, THE LION'S SHARE OF IMPORTS NOW ARE MATERIALS AND EQUIPMENT FOR NZ'S AGRICULTURE (FERTILIZERS, INSECTICIDES ETC) AND ITS GROWING INDUSTRY.

10. MR MULDOON HAS FELT, IN THE LIGHT OF THE RECENT EVENTS WHICH WILL INFLUENCE CONSIDERABLY THE LIKELY SUCCESS OF HIS ECONOMIC POLICIES AND THE RESULTANT PREDICTIONS OF GLOOM WHICH HAVE RECENTLY INCREASED, TO PUT THE PRESENT SITUATION "IN PERSPECTIVE". HIS PUBLIC STANCE IS THAT THE LATEST IMPORT FIGURES DO NOT WARRANT JUMPING TO THE PROPOSITION THAT NZ IS IN DEEP ECONOMIC TROUBLES. "IT'S FAR MORE COMPLEX THAN THAT", HE TOLD A PRESS CONFERENCE HELD TO DISCUSS THE LATEST NEWS ON IMPORTS. THOUGH HE CONCEDED THAT THE SIZE OF THE EXTERNAL DEFICIT WAS WORRYING HE SAID IT WAS COMING DOWN. HE ALSO POINTED OUT THAT A GOOD SLICE OF THE IMPORTS WERE ACTUALLY RE-EXPORTED AFTER BEING PROCESSED BY NZ MANUFACTURERS RESULTING IN A NET EARNING OF FOREIGN EXCHANGE. HE ALSO NOTED THAT RECENT LARGE IMPORTS FOR DEVELOPMENT OF THE MAUI GAS FIELD (ABOUT \$50 MILLION) AND EQUIPMENT FOR OIL EXPLORATION WERE INCLUDED IN THE TOTAL IMPORT FIGURES. HE POINTED TO PETROLEUM IMPORTS AS THE GREATEST PROBLEM. REFERRING TO THE PENDING OPEC PRICE INCREASE, HE SAID, "I THINK IT'S FAIR TO SAY THAT IT IS OIL, AND
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THE PRODUCTS DERIVED FROM OIL THAT IS GOING TO GIVE US THE GREATEST DIFFICULTY." BUT HE EVINced SOME OPTIMISM, "BECAUSE OF THE SENSIBLE ATTITUDE THAT SAUDI ARABIA WAS TAKING TO THE PROBLEMS OF THE WESTERN ECONOMIES", THAT THE OPEC PRICE INCREASE MIGHT BE LOWER. WHEN QUERIED ON THE POSSIBILITY OF A MINI-BUDGET TO DEAL WITH RISING COST OF IMPORTS, MULDOON SAID HE WOULD NOT RULE IT OUT, BUT HE RECALLED HIS EARLIER ANNOUNCEMENTS ON THIS THAT THE GOVERNMENT WAS NOT GOING TO FORECAST ACTION BUT WOULD TAKE ACTION WHEN IT WAS REQUIRED. IN AN ATTEMPT TO GIVE AN HISTORICAL SETTING TO THE PRESENT IMPORT SITUATION MR. MULDOON SAID, "THE BEST WAY I CAN PUT IT IS THAT DURING THE THREE YEARS OF THE LABOUR GOVERNMENT CONSUMPTION MOVED AHEAD OF OUR INCOME. THE GOVERNMENT HAS TO CUT DOWN ON

CONSUMPTION."

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